

No. 19-601

IN THE
Supreme Court of the United States

COLLABO INNOVATIONS, INC.,
Petitioner,
v.

SONY CORPORATION, ET AL.
Respondents.

On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

BRIEF IN OPPOSITION

JOHN C. O'QUINN
MEGAN M. WOLD
KIRKLAND & ELLIS LLP
655 Fifteenth Street, NW
Washington, DC 20005
(202) 879-5000

MATTHEW A. SMITH
ELIZABETH A. LAUGHTON
SMITH BALUCH LLP
1100 Alma Street
Suite 109
Menlo Park, CA 94025
(202) 669-6207

ANDREW S. BALUCH
Counsel of Record
SMITH BALUCH LLP
700 Pennsylvania Avenue, SE
Suite 2060
Washington, DC 20003
(202) 880-2397
baluch@smithbaluch.com

Counsel for Respondent

February 7, 2020

QUESTIONS PRESENTED

In 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011) (“AIA”) and created a prospective procedural mechanism for challenging issued patents called *inter partes* review. Two years later, Petitioner Collabo Innovations, Inc. acquired U.S. Patent 5,952,714 (the “’714 patent”) and then asserted it against Sony Corporation. Sony responded by asking the U.S. Patent & Trademark Office (“PTO”) to institute *inter partes* review of the ’714 patent, applying the procedural mechanism as the AIA allowed. Collabo did not argue that the PTO should not institute or render a final written decision on the grounds that applying *inter partes* review to its patent would be unconstitutional. The PTO instituted *inter partes* review and concluded that, under the substantive patentability standards applicable at the time of the patent’s issuance in 1999, the ’714 patent’s claims were not patentable and should never have issued.

The questions presented are as follows:

1. Does a party waive its Fifth Amendment Takings Clause and Due Process Clause challenges when it does not present them to the agency when the agency has the ability to grant relief on those grounds?
2. Does it violate the Takings Clause of the Fifth Amendment for the PTO to apply the *inter partes* review procedure to determine whether a patent, which issued before Congress enacted the AIA, was

properly issued under the substantive legal standards applicable at the time of issuance?

3. Does it violate the Due Process Clause of the Fifth Amendment for the PTO to apply the *inter partes* review procedure to determine whether a patent, which issued before Congress enacted the AIA, was properly issued under the substantive legal standards applicable at the time of issuance?

PARTIES TO THE PROCEEDING

The following list identifies all parties to the proceeding in the court whose judgment is sought to be reviewed: Collabo Innovations, Inc., Sony Corporation, and Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

CORPORATE DISCLOSURE

Respondent Sony Corporation has no parent corporation. No publicly held company owns 10% or more of Respondent's stock.

TABLE OF CONTENTS

QUESTIONS PRESENTED.....	i
PARTIES TO THE PROCEEDING	iii
CORPORATE DISCLOSURE	iii
TABLE OF CONTENTS	iv
TABLE OF AUTHORITIES.....	vi
INTRODUCTION	1
STATEMENT OF THE CASE	4
A. History of PTO’s Post-Issuance Review Procedures	4
B. Collabo Acquires the ’714 Patent.....	8
C. PTO Proceedings	9
D. Appeal	10
REASONS FOR DENYING THE WRIT	11
I. This Petition Is Particularly Unsuitable For Review.	11
A. Collabo Waived its Constitutional Challenges By Failing to Raise Them With the Board.	12
B. The ’714 Patent Is Expired.	16
C. The ’714 Patent Belongs to a Small and Rapidly Diminishing Group of Patents to Which <i>Inter Partes</i> Reexamination Never Applied.	17
II. The Decision Below Implicates No Split Of Authority.	19

A.	The Federal Circuit Has Consistently—and Unanimously—Rejected Constitutional Arguments Like Collabo’s.	19
B.	Collabo Cannot Point to Any Broader Split in Authority Outside the Federal Circuit.	24
III.	<i>Inter Partes</i> Review Is A Prospective Procedural Mechanism Not Materially Different From Previous Review Procedures	25
A.	<i>Inter Partes</i> Review Is a Prospective Application of Procedure, Not a Retroactive Application of Substantive Law	26
B.	Collabo Has No Vested Right in Any Particular Post-Issuance Review Procedure	28
IV.	Even If Applications Of <i>Inter Partes</i> Review Were Viewed As Retroactive, There Is No Fifth Amendment Violation	30
A.	<i>Inter Partes</i> Review Is Not Materially Different From Other Post-Issuance Review Procedures	30
B.	Applying <i>Inter Partes</i> Review to the ’714 Patent Does Not Violate the Takings Clause	32
C.	Applying <i>Inter Partes</i> Review to the ’714 Patent Does Not Violate the Due Process Clause	36
	CONCLUSION	38

TABLE OF AUTHORITIES

Cases

<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 935 F.3d 1319 (Fed. Cir. 2019)	23
<i>Bethune-Hill v. Va. State Bd. of Elections</i> , 137 S. Ct. 788 (2017)	15
<i>Bonito Boats v. Thunder Craft Boats</i> , 489 U.S. 141 (1989)	34
<i>Bowen v. Georgetown Univ. Hosp.</i> , 488 U.S. 204 (1988)	27
<i>Celgene Corporation v. Peter</i> , 931 F.3d 1342 (Fed. Cir. 2019)	11, 22, 24
<i>Collabo Innovations, Inc. v. Sony Corp.</i> , 778 Fed. Appx. 954 (Fed. Cir. 2019)	23
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016)	passim
<i>Danforth v. United States</i> , 308 U.S. 271 (1939)	15, 26
<i>Denver & Rio Grande W. R.R. Co. v. Bhd. of R.R. Trainmen</i> , 387 U.S. 556 (1967)	28
<i>Enzo Life Scis., Inc. v. Becton, Dickinson & Co.</i> , 780 Fed. Appx. 903 (Fed. Cir. 2019)	23
<i>Ex parte Collett</i> , 337 U.S. 55 (1949)	28
<i>Graham v. Goodcell</i> , 282 U.S. 409 (1931)	passim

<i>In re Rambus Inc.</i> , 694 F.3d 42 (Fed. Cir. 2012)	17
<i>Joy Techs. v. Manbeck</i> , 959 F.2d 226 (Fed. Cir. 1992)	10, 21
<i>Landgraf v. USI Film Prods.</i> , 511 U.S. 244 (1994)	24, 27
<i>Oil States Energy Services, LLC v. Greene's Energy Group, LLC</i> , 138 S. Ct. 1365 (2018)	passim
<i>OSI Pharms., LLC v. Apotex Inc.</i> , 939 F.3d 1375 (Fed. Cir. 2019)	23
<i>Paramino Lumber Co. v. Marshall</i> , 309 U.S. 370 (1940)	24
<i>Patlex Corp. v. Mossinghoff</i> , 758 F.2d 594 (Fed. Cir. 1953), <i>modified on other grounds on reh'g</i> , 771 F.2d 480 (Fed. Cir. 1985)	10, 20, 25, 33
<i>Penn Central Transportation Co. v. New York City</i> , 438 U.S. 104 (1978)	21
<i>Phillips v. AWH Corp.</i> , 415 F.3d 1303 (Fed. Cir. 2005) (en banc)	17
<i>United States v. L.A. Tucker Truck Lines, Inc.</i> , 344 U.S. 33 (1952)	12
<i>United States v. Singer Mfg. Co.</i> , 374 U.S. 174 (1963)	5
Statutes	
35 U.S.C. § 102(b)	26
35 U.S.C. § 103(a)	26

35 U.S.C. § 135(a) (1999).....	5, 28
35 U.S.C. § 154	35
35 U.S.C. § 251	16
35 U.S.C. § 282	31
35 U.S.C. § 302	5, 28, 31
35 U.S.C. § 307(a)	5
35 U.S.C. § 311(a)	29
35 U.S.C. § 311(b)	31
35 U.S.C. § 315(e)	33
35 U.S.C. § 316	7, 31
35 U.S.C. § 318	16, 33
35 U.S.C. § 6	7
Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011)	7, 28
Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. 106-113, §§ 4601-4608, 113 Stat. 1501A- 567 to 1501A-572.....	5, 6, 18, 37
Patent Act of 1836, ch. 357, 5 Stat. 117 (1836).....	4
Patent Law Amendments Act of 1984, Pub. L. 98-622, 98 Stat. 33833 (1984)	5, 20, 29
Pub. L. 96-517, 94 Stat. 3015 (1980).....	5, 29
Other Authorities	
157 Cong. Rec. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)	36

H.R. Rep. No. 112-98 (2011).....	30, 36
Jan G. Laitos, <i>Legislative Retroactivity</i> , 52 Wash. U. J. Urb. & Contemp. L. 81 (1997).....	24
PTO Performance and Accountability Report FY2019	34
PTO Report to Congress on Inter Partes Reexamination (2004)	6, 37
Saurabh Vishnubhakat, <i>The Mixed Case For a PTAB Off-Ramp</i> , 18 Chi.-Kent J. Intell. Prop. 514 (2019)	18

Regulations

37 C.F.R. § 1.291.....	4
37 C.F.R. § 1.530(j)	16
37 C.F.R. § 42.5(b)	14
77 Fed. Reg. 48756 (Aug. 14, 2012) (PTAB Trial Practice Guide)	31
BPAI Standing Order (Mar. 8, 2011).....	31

INTRODUCTION

As this Court explained most recently in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1373 (2018), “the grant of a patent is a matte[r] involving public rights.” (internal quotation omitted). More specifically, “patents are public franchises” that “give[] the patent owner the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.” *Id.* at 1373-74 (internal quotation omitted). Precisely because it is a “qualified” “franchise,” a patent remains “subject[] to the express provisions of the Patent Act.” *Id.* at 1375.

One such qualification has long been the PTO’s authority to review patents post-issuance to determine their patentability. That includes the possibility of canceling claims that should never have been granted. The AIA’s *inter partes* review procedure is only the most recent in a series of procedures Congress has created for the PTO to perform this most basic function. That procedure is not retroactive as applied to any patent, regardless of the patent’s issue date, because *inter partes* review is merely—as the name says—a *review* of an issued patent based on the patentability standards *that existed when the patent was granted*. As this Court has already explained, “[i]nter partes review is a ‘second look at an earlier administrative grant of a patent.’” *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)). It “involves the same interests as the determination to grant a patent in the first instance.” *Id.*

The so-called “retroactive” application of *inter partes* review does not present an issue warranting this Court’s review, least of all in this case. As an initial matter, Collabo acquired its patent *two years after* Congress adopted the *inter partes* review procedures, and thus knew the patent would be subject to such review. More fundamentally, however, Collabo never raised its Takings or Due Process Clause arguments during the *inter partes* review proceedings before the PTO, even though the PTO possessed complete discretion over whether to institute *inter partes* review. Instead, Collabo first raised an undeveloped version of its constitutional arguments at the Federal Circuit, leaving most of its legal arguments to appear first in Collabo’s *certiorari* petition.

The ’714 patent has also expired, which undercuts key arguments Collabo makes for why *inter partes* review insufficiently protects its patent. Collabo cannot complain about the inability to amend its patent, which was expired and ineligible for amendment anyway. Nor can Collabo complain about the claim construction standard that applied here when the ’714 patent was reviewed under the most patentee-favorable standard, precisely because the patent had expired.

Collabo’s petition is flawed in yet another way: The ’714 patent admittedly belongs to a small and ever-diminishing pool of patents to which *inter partes* reexamination (the closest immediate predecessor to *inter partes* review) never applied. Collabo admits that only 8% of patents challenged in *inter partes* review last year were like the ’714 patent in this

respect, and Collabo cannot deny that that number is rapidly approaching zero. Yet Collabo relies on this unusual attribute as (purportedly) demonstrating how different *inter partes* review is from other forms of post-issuance review that existed when the '714 patent was granted. That means any decision here would not be conclusive as to the overwhelming majority of existing pre-AIA patents, which *were* subject to *inter partes* reexamination.

Vehicle problems aside, Collabo's petition does not present questions worthy of this Court's review. Collabo points to no division of authority, whether among the circuits or even among the judges of the Federal Circuit, who have *unanimously* rejected arguments like Collabo's in every case to present them for four decades. This broad agreement makes sense because Collabo's arguments here are wrong. There is nothing retroactive about Congress granting the agency responsible for reviewing patents new *procedures* by which it may perform its public function, while applying the same *substantive* standards applicable at the time the patent was initially examined. And even if viewed as retroactive, under long-settled precedent of this Court, *inter partes* review neither violates Due Process nor the Takings Clause.

The petition for certiorari should be denied.

STATEMENT OF THE CASE

A. History of PTO’s Post-Issuance Review Procedures

“[F]rom the founding to today, Congress has authorized the Executive Branch to grant patents that meet the statutory requirements for patentability.” *Oil States*, 138 S. Ct. at 1374. For at least the past forty years, Congress has also created procedures for reviewing the patentability of claims after a patent has issued. These post-issuance review procedures “involve[] the same interests as the determination to grant a patent in the first instance,” and can result in the PTO cancelling patent claims or revoking a previously issued patent. *Id.*

1. *Reissues.* Since 1836, a patent holder could seek reissue of a patent at the Patent Office to correct a defect in the patent, including where the original claims were not novel. *See* Patent Act of 1836, ch. 357, § 13, 5 Stat. 117 (1836). During this reissue process, any member of the public can file a “protest” challenging the claims as unpatentable. *See* 37 C.F.R. § 1.291.

2. *Interferences.* Before the AIA, patents were awarded to the first person to have *invented* the thing claimed rather than the first person to have *filed* a patent application. To determine the first inventor among competing applicants, the Patent Office since 1836 has conducted a proceeding known as an “interference.” *See* Patent Act of 1836, ch. 357, § 16, 5 Stat. 123-124. An interference is “an adversary proceeding between the rival applicants,” *United*

States v. Singer Mfg. Co., 374 U.S. 174, 198 (1963) (White, J., concurring), which “resemble[s] district court litigation,” *Cuozzo*, 136 S. Ct. at 2145. In 1984, Congress amended the Patent Act to authorize the PTO to “determine questions of patentability” in an interference, too. Patent Law Amendments Act of 1984, Pub. L. 98-622, § 202, 98 Stat. 33833, 3386-87 (1984). In all interferences, the PTO’s “final judgment adverse to a patentee” “shall constitute cancellation of the claims involved in the patent.” *Id.*; *see* 35 U.S.C. § 135(a) (1999). A private party can initiate an interference proceeding. *See Oil States*, 138 S. Ct. at 1378 n.5.

3. *Ex parte reexamination.* Congress created *ex parte* reexamination in 1980. *See* Pub. L. 96-517, § 1, 94 Stat. 3015 (1980). *Ex parte* reexamination allows “[a]ny person at any time” to request the PTO to reexamine an issued patent based on “prior art.” 35 U.S.C. § 302. At the end of the reexamination, if the PTO has finally determined that the claims are unpatentable, and after the patent owner has exhausted its appeal rights, the PTO will issue a certificate “canceling any claim of the patent finally determined to be unpatentable.” *Id.* § 307(a).

4. *Inter partes reexamination.* Congress created *inter partes* reexamination in 1999. *See* Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. 106-113, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. *Inter partes* reexamination only applied to patents that issued from applications filed after the statute’s enactment. *Id.* § 4608(a), 113 Stat. 1501A-572.

Procedurally, *inter partes* reexamination was “similar” to *ex parte* reexamination but allowed “third parties greater opportunities to participate in the Patent Office’s reexamination proceedings,” *Cuozzo*, 136 S. Ct. at 2137, by permitting the third-party requester to respond to the patent owner’s arguments and to appeal to the Board. *See* 35 U.S.C. §§ 311-318 (2000).

Five years after the statute’s enactment, the PTO submitted to Congress its report on the agency’s implementation of *inter partes* reexamination. *See* Pub. L. 106-113, 113 Stat. 1501A-571, § 4606 (mandating report). The report explained that although the agency had “projected to receive approximately 400 *inter partes* reexamination requests in the first year,” in actuality “only 53 *inter partes* reexamination requests were filed” during the “nearly five years that the procedure has been available.” PTO Report to Congress on Inter Partes Reexamination, at 5 (2004) (hereinafter “PTO Report”). Among the reasons for this shortfall, the PTO identified the legislation’s inapplicability to patents filed before November 29, 1999, and as a result, “*inter partes* reexamination cannot be used to challenge most patents that are currently in effect.” *Id.* at 7. “Making all enforceable patents eligible for *inter partes* reexamination,” the PTO explained, “would greatly increase the patent pool from which to generate *inter partes* reexamination requests.” *Id.* at 7-8.

5. *Inter partes reviews.* The Leahy-Smith America Invents Act (“AIA”) was enacted on September 16, 2011. Pub. L. 112-29, 125 Stat. 284

(2011). Among other things, the AIA phased out *inter partes* reexamination in favor of *inter partes* review. *Id.* at § 6, 125 Stat. 299.¹ Beginning one year after enactment, any third party could ask the PTO to reexamine a patent through *inter partes* review. *See Cuozzo*, 136 S. Ct. at 2137. During the review, a panel of administrative patent judges from the Patent Trial and Appeal Board (“Board”—all of whom are required to have scientific training—reexamines the issued patent’s validity. 35 U.S.C. §§ 6, 316(c). The initiating third party can participate in the proceedings, and both “the petitioner and the patent owner are entitled to certain discovery, § 316(a)(5); to file affidavits, declarations, and written memoranda, § 316(a)(8); and to receive an oral hearing before the Board, § 316(a)(10).” *Oil States*, 138 S. Ct. at 1371. An *inter partes* review may eventually conclude with the PTO publishing a certificate that cancels unpatentable claims, confirms those claims deemed patentable, and incorporates into the patent any new or amended patentable claims. *Id.* at 1372.

Congress specified that the AIA’s *inter partes* review procedure “shall apply to any patent issued before, on, or after” September 16, 2012 (the effective date). Pub. L. 112-29, § 6(c)(2)(A), 125 Stat. 304.

¹ In addition to *inter partes* review, the AIA also created four new PTO post-issuance correction procedures: (1) derivations, applicable to first-inventor-to-file patents and applications, Pub. L. 112-29, § 3(i), 125 Stat. 289; (2) post-grant reviews, applicable to first-inventor-to-file patents, *id.* § 6(d), 125 Stat. 305; (3) supplemental examination, applicable to all patents, *id.* § 12, 125 Stat. 325; and (4) a transitional program for covered business method patents, applicable to “covered business method patents,” *id.* § 18, 125 Stat. 329.

From then, all existing patents were open to *inter partes* review.

B. Collabo Acquires the '714 Patent

U.S. Patent 5,952,714 (“the '714 patent”) claims an image-sensing apparatus and manufacturing method for video cameras. Pet.App.4a.² Collabo acquired it in December 2013, more than two years after Congress enacted the AIA, and more than one year after *inter partes* reviews took effect. Collabo acquired the '714 patent when its parent company, Wi-LAN Inc., acquired Panasonic’s patent portfolio.³

After acquiring the '714 patent, Collabo could have protected its investment by invoking PTO procedures to voluntarily narrow its claims through reissuance or in patent owner-initiated forms of reexamination (for example, *ex parte* reexamination, *supra* at 5). Instead, Collabo asserted the '714 patent as-is against Sony in a district court infringement complaint. Pet.App.20a.

² “Pet.App.” refers to the appendix to the Petition.

“CA.App.” refers to the court of appeals joint appendix, Fed. Cir. No. 18-1311 (filed Oct. 3, 2018).

³ Collabo recorded the assignment of the '714 patent with the PTO. See PTO Assignment, <http://legacy-assignments.uspto.gov/assignments/assignment-pat-33021-806.pdf>. Wi-LAN reported the deal to the SEC. See Wi-LAN Press Release (Dec. 16, 2013), https://www.sec.gov/Archives/edgar/data/1518419/000114420413067600/v363242_ex99-1.htm.

C. PTO Proceedings

Sony then petitioned the PTO for *inter partes* review of the '714 patent in April 2016. CA.App.130. Sony's petition explained that the '714 patent's claims were unpatentable as either anticipated or obvious under the pre-AIA statutory standards that applied when the '714 patent issued. CA.App.90, 95, 98, 114, 117, 119, 123 (referring to "pre-AIA 35 U.S.C. § 102(b)" and "pre-AIA 35 U.S.C. § 103(a)," respectively). Sony also explained that the '714 patent's 20-year term would expire in July 2016, and therefore Sony conceded the Board should apply the same "ordinary and customary meaning" standard used in district court litigation (more favorable to patent owners), rather than the broadest reasonable interpretation standard (more favorable to petitioners). CA.App.81.

In October 2016, the PTO granted Sony's petition and instituted *inter partes* review of the '714 patent ("institution" is a term of art that refers to the PTO opening an *inter partes* review). CA.App.430. During the *inter partes* review, Collabo defended its patent in a 54-page opposition brief, supported with evidence, including its own expert declaration. Collabo cross-examined Sony's expert. CA.App.482-535. Collabo sought no additional discovery and did not move to exclude any of Sony's evidence. Collabo requested and received an oral hearing before the Board. CA.App.1008. The Board admitted all of the evidence that Collabo introduced.

In October 2017, the Board issued its final written decision. The Board determined that, by a

preponderance of the evidence, each of the challenged claims was unpatentable based on the statutory standards existing when the '714 patent originally issued. Pet.App.20a.

Collabo did not raise any Fifth Amendment argument before the Board. Collabo also did not move to amend its patent claims (or confer with the Board about whether it could do so given the patent's July 2016 expiration date). Collabo did not request rehearing from the Board.

D. Appeal

Collabo appealed the Board's *inter partes* review decision to the Federal Circuit, primarily challenging the Board's claim constructions and factual findings. Collabo also raised Fifth Amendment Takings and Due Process Clause challenges for the first time in that appeal, devoting only four total pages of briefing to these arguments. Collabo did not even address the seminal Federal Circuit cases, *Patlex* and *Joy Technologies*, both of which found other post-issuance revocation procedures to be constitutional when applied to previously-issued patents. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1953), modified on other grounds on reh'g, 771 F.2d 480 (Fed. Cir. 1985); *Joy Techs. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992).

The Federal Circuit affirmed the Board's decision and rejected all of Collabo's arguments. Mirroring Collabo's briefing, the Federal Circuit primarily focused on the claim construction and factual issues, holding in favor of Sony. The Federal Circuit also

rejected Collabo’s underdeveloped constitutional arguments, holding that the court’s recent decision in *Celgene Corporation v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019) “forecloses Collabo’s argument.” Pet.App.16a. As the Federal Circuit explained, “[l]ike the patent at issue in *Celgene*, when the ’714 patent issued, patent owners already expected that their patents could be challenged in district court and ‘[f]or forty years’ had expected that ‘the [Patent Office] could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.’” Pet.App.16a (quoting *Celgene*, 931 F.3d at 1362-63) (alterations in original). The Federal Circuit thus held that applying *inter partes* review to Collabo’s patent “on grounds that were available for Patent Office reconsideration when the patent was issued and under the same burden of proof” created no constitutional issues. Pet.App.16a.

Collabo did not request rehearing from the Federal Circuit.

REASONS FOR DENYING THE WRIT

I. This Petition Is Particularly Unsuitable For Review.

Even if Collabo’s petition presented grant-worthy questions (and as explained further below, *infra* 19-38, it does not), this case, involving an expired patent, presents numerous waived arguments and vehicle flaws that make it particularly unsuitable for this Court’s review.

A. Collabo Waived its Constitutional Challenges By Failing to Raise Them With the Board.

As an initial matter, Collabo waived its constitutional challenges by failing to raise them with the PTO before, during, or after the *inter partes* review. That waiver is reason enough to deny review in this case. “Simple fairness to those who are engaged in the tasks of administration, and to litigants, requires as a general rule that courts should not topple over administrative decisions unless the administrative body not only has erred but has erred against objection made at the time appropriate under its practice.” *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 37 (1952).

As this Court recognized in *Cuozzo*, Congress gave the PTO broad discretion to decide whether to institute *inter partes* review. Collabo was free to raise its purported constitutional concerns *before* the Board reached an adverse decision—and even after, in the form of rehearing. The PTO could have considered these issues—including the fact that the ’714 patent is part of a narrow and shrinking class of patents that were never subject to *inter partes* reexamination—in deciding whether to institute an *inter partes* review. Now, however, the PTO has rendered a decision that benefits *the public*—not just Sony. And, even under Collabo’s theory, the PTO would be entitled to consider the same evidence and render the same decision if *anyone* filed a request for *ex parte* reexamination. The time for Collabo to raise its constitutional challenge was while this matter was pending before the agency.

Anticipating this issue, Collabo asserts that “it did not raise its constitutional challenges to *inter partes* review with the Board” because doing so “would have been futile.” Pet.36. Not so. The agency was not powerless to consider Collabo’s constitutional arguments. Indeed, Collabo’s argument elsewhere belies its futility claim. *See* Pet.36. The PTO Director “has independent authority to decide whether to institute an *inter partes* review,” Pet.28-29, and the Director’s discretion is broad. At the very least, Collabo could have made its constitutional arguments to the Director when Sony filed its petition to institute an *inter partes* review proceeding, including its argument that the ’714 patent was never subject to *inter partes* reexamination. It was not futile to raise such arguments because the Director could have exercised his broad discretion to deny institution, particularly here, where a small and diminishing number of patents would be situated similarly to the ’714 patent. Having failed to pursue this available relief before the agency, Collabo should be deemed to have waived its constitutional arguments—which is reason enough to deny this petition.

Moreover, much of Collabo’s constitutional arguments boil down to complaints about the procedural parameters of *inter partes* review. *See* Pet.24-30. Yet, at no point did Collabo ask the Board for any process that it did not receive or register any complaint about the procedures themselves. Instead, Collabo received everything it asked for: Collabo deposed Sony’s expert, filed its own expert declaration, submitted a 54-page response to Sony’s petition, and received an oral hearing before the Board. The Board admitted all of the evidence

Collabo introduced at trial and Collabo sought no additional discovery. Collabo did not move to exclude any of Sony’s evidence. Collabo thus has waived any procedural objections it failed to make, which is yet another reason to deny review.

If Collabo believed that applying *inter partes* review procedures raised constitutional concerns—because they were inconsistent with Collabo’s expectations, or otherwise—it could have sought relief. Indeed, under the PTO’s rules for *inter partes* review, any rule or procedure can potentially be “waive[d] or “suspend[ed],” in the interests of justice. 37 C.F.R. § 42.5(b). Collabo’s failure to act to protect its rights below deprived the Board of the opportunity to give Collabo the process it would have considered fair, and is another reason why this case presents a poor vehicle for a grant of *certiorari*.

Compounding these waivers before the agency, Collabo failed to materially raise its constitutional arguments on appeal. A dispassionate review of the briefing below shows that Collabo sandbagged its constitutional arguments, devoting only four pages to them in its opening brief and describing them only in the barest terms, without referring to the relevant caselaw. And while asserting that *inter partes* review was impermissibly retroactive and that Collabo should “at least [be] entitled to just compensation for the loss of its rights in the ’714 patent,” [Opening Br. 66], it said not a word in its opening brief about any of the specific concerns about *inter partes* review now delineated in its petition: the adversarial nature, the specific procedures employed, the ability to amend

claims, or the claim construction standard (previously) applied.⁴

To be sure, the Federal Circuit did pass on the issue, but it did so (quite reasonably) by rejecting Collabo’s underdeveloped constitutional arguments only briefly. This Court is a court of last review, not first view, *Bethune-Hill v. Va. State Bd. of Elections*, 137 S. Ct. 788, 800 (2017), and should not grant a petition founded on complaints that were never raised at any stage of the proceedings below.

That is particularly so given that Collabo acquired the ’714 patent in December 2013—more than two years *after* Congress enacted the AIA in September 2011. Even if it were true (and it is not) that “no one could have anticipated that Congress would retroactively make the ’714 patent subject to a wholly new procedure like *inter partes* review,” Pet.34, Collabo *affirmatively knew* that Congress had done just that when it acquired the ’714 patent. If Congress’s decision to make *inter partes* review applicable to *all* existing patents diminished the value of those patents, Collabo was fully aware of it when it purchased the ’714 patent. *Accord Danforth v. United States*, 308 U.S. 271, 284 (1939). And yet, armed with this knowledge, after acquiring the patent, Collabo presented to the agency none of the arguments it is now making to the agency, and took no steps to obtain “narrower claims” via reissue or reexamination—claims Collabo speculates a patent

⁴ Through a subsequent rule change, all *inter partes* review proceedings now apply the same claim construction standard as district courts.

owner would have originally obtained if it had had knowledge of the AIA. Pet.34. At a minimum, Collabo’s post-AIA acquisition of the patent and subsequent conduct in these proceedings make this a poor vehicle for addressing the issues it purportedly presents.

B. The ’714 Patent Is Expired.

The Court should also deny review because the ’714 patent expired in July 2016, just months after Sony initiated these *inter partes* review proceedings. Pet.App.28a. Consequently, two of the purportedly “important safeguards” that Collabo asserts are “absent in *inter partes* review” (Pet.24)—namely, an “unfettered right to amend … claims” in reexamination and a broader claim construction standard than in district court litigation (Pet.27)—are simply not applicable. In other words, not only did Collabo waive its concerns about the procedural parameters of *inter partes* review by failing to raise them before the Board, but due to its unusual fact pattern, this case never even presented many of the petition’s specific concerns in the first place.

First, although Collabo asserts that the ability to amend is an important procedural safeguard that *inter partes* review lacks, Collabo could not have amended the ’714 patent—either here in the *inter partes* review, or in a reissue or *ex parte* reexamination—because the patent expired in July 2016. See 35 U.S.C. § 318(c) (*inter partes* review amendment shall have the same effect as that of a reissue patent); *id.* § 251(a) (reissue operative “for the unexpired part of the term of the original patent”);

37 C.F.R. § 1.530(j) (reexamination rules providing that “[n]o amendment may be proposed for entry in an expired patent”).

Second, although *inter partes* review (until recently) applied the “broadest reasonable construction” standard to challenged claims, Collabo’s ’714 patent was never subject to this broader standard. Because expired patents cannot be amended, they have always been construed under the “plain and ordinary meaning” standard, whether in *inter partes* review, *inter partes* reexamination, *ex parte* reexamination, or district court litigation. Collabo acknowledges this is the standard the Board applied to the ’714 patent, and is the same standard that applies in district court, but somehow complains that *inter partes* review improperly subjects pre-AIA patents to a broader construction. Pet.27 n.12; Pet.App.8a (“Because the ’714 patent has expired, the claim construction standard set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc) applies.”) (citing *In re Rambus Inc.*, 694 F.3d 42, 46 (Fed. Cir. 2012) (“[T]he Board’s review of the claims of an expired patent is similar to that of a district court’s review.”)). Needless to say, this Court does not take cases to review issues not actually presented.

C. The ’714 Patent Belongs to a Small and Rapidly Diminishing Group of Patents to Which *Inter Partes* Reexamination Never Applied.

The fact that the ’714 patent had expired when the PTO instituted these proceedings not only makes this case a procedurally unusual vehicle to take up

Collabo’s issues, it also means that the ’714 patent is differently situated from the overwhelming majority of patents pre-dating the AIA. By Collabo’s own admission, the ’714 patent is “so old,” that it “would not have been eligible even for *inter partes* reexamination.” Pet.19. Almost all patents that pre-date *inter partes* reexamination have now expired or will soon. This is because, in order to pre-date *inter partes* reexamination, a patent like the ’714 patent must have issued from an original application filed before November 29, 1999, *see* Pub. L. 106-113, § 4608(a), 113 Stat. at 1501A-572, and such patents normally have a term of 20 years measured from filing, plus any extensions, *see* 35 U.S.C. §§ 154-156 (2010). Indeed, Collabo itself cites statistics showing that patents pre-dating *inter partes* reexamination, like the ’714 patent, made up less than 8% of all patents challenged in *inter partes* review, as of nearly two years ago (in May 2018). *See* Saurabh Vishnubhakat, *The Mixed Case For a PTAB Off-Ramp*, 18 Chi.-Kent J. Intell. Prop. 514, 535 (2019).⁵ This number continues to drop, and eventually will equal zero. Thus, the ’714 patent is part of a small and rapidly diminishing category of patents that were eligible for *inter partes* review but were never eligible for its similar predecessor, *inter partes* reexamination.

Thus, if the Court were to grant Collabo’s petition and reverse, it would shed little light on whether *inter*

⁵ This 8% figure has likely dropped precipitously since this study, given that November 28, 2019 marked the natural expiration of the typical 20-year patent filed on the last possible day before *inter partes* reexamination became available.

partes review is unconstitutionally retroactive or a “taking” when applied to patents already subject to *inter partes* reexamination. In other words, a decision as to this patent would not be dispositive as to the overwhelming majority of patents now in existence. The precise questions that Collabo’s petition presents are of diminishing importance because they apply only to a soon-to-be extinct class of patents. If the Court is interested in taking up the questions this petition presents, it should choose a case that presents a better vehicle—one that represents the vast majority of current patents (and someday, *all* patents predating the AIA) that were subject to *inter partes* reexamination before being subject to *inter partes* review.

II. The Decision Below Implicates No Split Of Authority.

Even if Collabo had preserved the issues raised in its petition, there is no division of authority that warrants this Court’s intervention—much less a reason to upset the settled expectations arising from the lower courts’ consistent approach to the law.

A. The Federal Circuit Has Consistently—and Unanimously—Rejected Constitutional Arguments Like Collabo’s.

Collabo points to no division within the Federal Circuit on the questions it presents, nor any reason for this Court to upset nearly forty years of settled law. The Federal Circuit has repeatedly and unanimously upheld Congress’s choice to apply new

post-issuance review processes to all existing patents. It is Collabo who asks this Court to upend settled expectations and the consistent application of the law.

The Federal Circuit first considered a “retroactivity” challenge to a new post-issuance review process (*ex parte* reexamination) in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). There, the owner of two patents raised various constitutional arguments against the “retrospective effect of patent reexamination,” including claims under the Due Process Clause of the Fifth Amendment like those Collabo asserts. *Patlex*, 758 F.2d at 598. In a decision by Judge Newman, the Federal Circuit unanimously rejected those claims then, and nothing has called that decision into question in the intervening decades.

In *Patlex*, the Federal Circuit acknowledged that “[a]t the time [the] patents were issued, there was no way the PTO or private persons could have forced these patents back into the examination phase against [the patentee’s] will (except for their involvement in an interference).” *Id.* at 601.⁶ Here, of course, the ’714 patent *was* subject to being “forced … back” into review by the PTO even before Congress adopted *inter partes* review.

Nevertheless, despite the absence of any prior involuntary PTO review when Congress created *ex parte* reexamination, *Patlex* applied this Court’s test

⁶ Beginning in 1984, the Board in an interference could decide “questions of patentability,” in addition to questions of priority. Pub. L. 98-622, § 202, 98 Stat. 3386-87.

under *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978), and had no trouble concluding that Congress's "overriding public purposes ... in enacting the [*ex parte*] reexamination law with retroactive effect are entitled to great weight" and were not "arbitrary or irrational." *Id.* at 602-03. Among Congress's purposes in creating *ex parte* reexamination was "reinforc[ing] investor confidence in the certainty of patent rights by affording the PTO a broader opportunity to review doubtful patents." *Id.* at 602 (internal citations omitted). The *ex parte* reexamination statute, therefore, belonged to "the class of 'curative' statutes, designed to cure defects in an administrative system." *Id.* at 603 (citing *Graham v. Goodcell*, 282 U.S. 409, 429 (1931)). Patent owners challenging the curative nature of *ex parte* reexamination were asserting a vested right in a "mistake of officers purporting to administer the law in the name of the Government." *Id.* (citing *Graham*, 282 U.S. at 429). A patent owner had no vested right in a PTO mistake, however, so the Constitution did not prevent Congress "from curing the defect in administration simply because the effect may be to destroy causes of action which would otherwise exist." *Id.* So it is here.

In 1992, the Federal Circuit revisited its *Patlex* decision in *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992). There, a patent owner argued that reexamining and cancelling some claims of its issued patent violated the Fifth Amendment's Takings and Due Process Clauses, and the patent owner asked the court to reconsider its holdings in *Patlex*. *Id.* at 228. The Federal Circuit disagreed and reaffirmed *Patlex*: "the issuance of a valid patent is

primarily a public concern,” and “cases involving ‘public rights’ may constitutionally be adjudicated by legislative courts and administrative agencies,” including in post-issuance reexamination proceedings. *Id.*

In 2019, the Federal Circuit considered and unanimously rejected, yet again, Fifth Amendment retroactivity arguments under both the Due Process and Takings Clauses, this time in a “retroactivity” challenge to the AIA’s *inter partes* review procedures. *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019), *reh’g denied* (Fed. Cir. Dec. 9, 2019). In *Celgene*, the owner of two patents (issued in 2000 and 2001) argued that applying *inter partes* review to its patents effected an unconstitutional taking under the Fifth Amendment. The Federal Circuit explained that although *Patlex* and *Joy Technologies* “control the outcome here,” the court would reach the same outcome in the case for an additional reason: that *inter partes* review does not “differ from the pre-AIA review mechanisms significantly enough, substantively or procedurally, to effectuate a taking.” *Celgene*, 931 F.3d at 1358 & n.13 (“On this basis, we reject Celgene’s challenge even apart from the rationales of our prior decisions.”) (citing *Patlex* and *Joy Techs.*); *id.* at 1363 (“Although differences exist between [inter partes reviews] and their reexamination predecessors, those differences do not outweigh the similarities of purpose and substance and, at least for that reason, do not effectuate a taking of Celgene’s patents.”).

Subsequent panels have unanimously followed *Celgene* and have rejected similar Fifth Amendment

challenges against *inter partes* review. See, e.g., *OSI Pharms., LLC v. Apotex Inc.*, 939 F.3d 1375, 1386 (Fed. Cir. 2019); *Arthrex, Inc. v. Smith & Nephew, Inc.*, 935 F.3d 1319, 1332-33 (Fed. Cir. 2019), *reh'g denied* (Fed. Cir. Nov. 8, 2019); *Enzo Life Scis., Inc. v. Becton, Dickinson & Co.*, 780 Fed. Appx. 903, 911 (Fed. Cir. 2019), *reh'g denied* (Fed. Cir. Dec. 4, 2019); *Collabo Innovations, Inc. v. Sony Corp.*, 778 Fed. Appx. 954, 961 (Fed. Cir. 2019).

Accordingly, in the nearly 40 years since the Federal Circuit first took up constitutional arguments like Collabo's, the Federal Circuit has consistently rejected Collabo's position *unanimously*. Not a single member of that court has dissented from or questioned the correctness of the decisions in *Patlex* (1985), *Joy Technologies* (1992), or *Celgene* (2019). The Federal Circuit has denied *en banc* rehearing in these cases unanimously, too. See *Arthrex*, 935 F.3d 1319, *reh'g denied* (Nov. 8, 2019); *Enzo*, 780 Fed. Appx. 903, *reh'g denied* (Dec. 4, 2019); *Celgene*, 931 F.3d 1342, *reh'g denied* (Dec. 9, 2019). In fact, the Federal Circuit said in *Celgene* that patent owners' Fifth Amendment arguments had grown *weaker*, not stronger, over time:

The patent owners in *Patlex* and *Joy Technologies* had a stronger argument than Celgene does here because, before the creation of *ex parte* reexaminations, there were no PTO reexamination procedures. In contrast, pre-AIA patent owners, including Celgene, have known for almost forty years that their patents were issued subject to

substantively similar forms of PTO reexamination.

Celgene, 931 F.3d at 1358 n.13.

B. Collabo Cannot Point to Any Broader Split in Authority Outside the Federal Circuit.

Collabo not only fails to identify any division within the Federal Circuit, but also fails to identify any split among the federal Courts of Appeals in any similar or analogous context. To the contrary, it is well-settled that “so-called ‘curative legislation,’ like the AIA’s *inter partes* review procedures, ‘will be upheld when the legislation ... retroactively cures defects in an administrative system.’” Jan G. Laitos, *Legislative Retroactivity*, 52 Wash. U. J. Urb. & Contemp. L. 81, 95 (1997). “Retroactive curative rules are acceptable because of the strong public interest in a fair government system, and because they merely produce the same result that would have occurred had the lawmaker (usually an agency) promulgated the original rule correctly.” *Id.* See *Landgraf v. USI Film Prods.*, 511 U.S. 244, 267-268 (1994) (“Retroactivity provisions often serve entirely benign and legitimate purposes, [including] to correct mistakes”); *Paramino Lumber Co. v. Marshall*, 309 U.S. 370 (1940) (upholding Act of Congress enacted to cure a defect in the administration of a statutory claim); *Graham v. Goodcell*, 282 U.S. 409, 429 (1931) (upholding “a curative statute aptly designed to remedy mistakes and defects in the administration”).

Significantly, this Court’s favorable view of “curative” legislation, as expressed in *Graham v. Goodcell*, was one of the reasons the Federal Circuit in *Patlex* upheld the reexamination statute there against a retroactivity challenge. *Patlex*, 758 F.2d at 603. In *Patlex*, the Federal Circuit relied on the fact that “the class of ‘curative’ statutes, designed to cure defects in an administrative system … have received relatively favored treatment from the courts even when applied retroactively.” *Id.* (citing *Graham*, 282 U.S. at 429).

In sum, Collabo has not identified any split of authority on the questions its petition presents—neither intra-circuit nor inter-circuit. The Court should deny Collabo’s petition for a writ of certiorari.

III. *Inter Partes* Review Is A Prospective Procedural Mechanism Not Materially Different From Previous Review Procedures.

The petition should also be denied because the positions it advances are simply wrong. Collabo’s petition is premised on the notion that Congress unfairly changed the landscape for post-issuance review of pre-AIA patents because “no one”—not even Collabo—“could have anticipated that Congress would retroactively make the ’714 patent subject to a wholly new procedure like *inter partes* review.” Pet.34; *see* Pet.26 (“[t]he patent owner could not foresee that Congress would subsequently pass a new law”). Not so.

That argument is false as to Collabo in *this* case because Collabo knowingly purchased the '714 patent *two years after* Congress created the *inter partes* review procedure in the AIA. *Supra* 8 & n.3; see *Danforth v. United States*, 308 U.S. 271, 284 (1939).

Yet even abstracting Collabo's argument from the facts of this case, it still founders on the notion that patent owners were unfairly surprised when Congress created *inter partes* review. *Inter partes* review is simply another post-issuance review procedure that is not materially different from the other post-issuance review procedures that predated it.

A. *Inter Partes* Review Is a Prospective Application of Procedure, Not a Retroactive Application of Substantive Law.

Inter partes review is a prospective application of procedure, not a retroactive application of substantive law, and Collabo's petition entirely fails to contend with this fact.

When it enacted the AIA, Congress did not change the substantive standards of patentability under which pre-AIA patents would be judged. 35 U.S.C. §§ 101-103. To survive the *inter partes* review below, the '714 patent needed only to satisfy the same patentability standards that had existed when the patent originally issued in 1999. Indeed, Sony's petition for *inter partes* review expressly invoked "pre-AIA 35 U.S.C. § 102(b)" and "pre-AIA 35 U.S.C. § 103(a)," as the grounds for challenging the claims of

the '714 patent. CA.App.90-123. Collabo does not and cannot dispute this fact.

Congress's choice to apply the *inter partes* review **procedure** to existing patents is simply the *prospective* application of a new procedural mechanism for deciding the propriety of past administrative action; it is not retroactive at all. "Changes in procedural rules may often be applied in suits arising before their enactment without raising concerns about retroactivity." *Landgraf*, 511 U.S. at 275. "Because rules of procedure regulate secondary rather than primary conduct, the fact that a new procedural rule was instituted after the conduct giving rise to the suit does not make application of the rule at trial retroactive." *Id*; see *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 219-220 (1988) (Scalia, J., concurring) (explaining that a new rule providing for "taxation of future trust income" would have "exclusively future effect" (imposing "future income tax liability" for trust income derived in the future), even though the rule "can unquestionably affect past transactions (rendering the previously established trusts less desirable in the future)").

Here, applying *inter partes* review procedures to existing patents is not a "retroactive" application of law at all—much less an impermissible one—because Congress did not change the *substantive* rules governing patentability that applied when the '714 patent was originally issued in 1999. Indeed, Congress was aware of and respected this critical difference, and when it made changes to the substantive standards for patentability elsewhere in the AIA, it made *those* changes prospectively

applicable only to patents issued after the AIA's effective date. Pub. L. 112-29, § 3(n), 125 Stat. 293.

B. Collabo Has No Vested Right in Any Particular Post-Issuance Review Procedure.

This Court has long held that “[n]o one has a vested right in any given mode of procedure.” *Denver & Rio Grande W. R.R. Co. v. Bhd. of R.R. Trainmen*, 387 U.S. 556, 563 (1967) (quoting *Ex parte Collett*, 337 U.S. 55, 71 (1949)). Without “a vested right in any given mode of procedure,” Collabo cannot complain that Congress violated the Constitution by adding new post-issuance patent review procedures to those that existed in 1999.

In the AIA, Congress did not attempt “retroactively to create liabilities for transactions which, fully consummated in the past, are deemed to leave no ground for legislative intervention.” *Graham*, 282 U.S. at 429. Rather, Congress continued empowering the PTO not only to issue patents but also to review previously issued patents for mistakes. When the ’714 patent issued in 1999, “[a]ny person at any time” could have challenged the ’714 patent “on the basis of any prior art” patents and printed publications. 35 U.S.C. § 302 (*ex parte* reexamination). The Board was also empowered to cancel the claims of the ’714 patent in an adversarial trial-like proceeding on the basis of priority or “patentability,” 35 U.S.C. § 135(a) (1999), if an eligible party caused an “interference.” In 1999, patent owners knew that the original patentability of their claims was subject to these forms of curative

review “designed to remedy mistakes and defects in the administration of government.” *Graham*, 282 U.S. at 429. And patent owners in 1999 knew that when Congress had created these procedures in the past, Congress made them applicable to all then-existing patents.⁷ To the extent Collabo’s argument is grounded in a private party’s ability to initiate *inter partes* review, Collabo disregards the procedures Congress created. As this Court observed in *Oil States*, “[t]o be sure, a private party files the petition for review. 35 U.S.C. § 311(a). But the decision to institute review is made by the Director and committed to his unreviewable discretion.” *Oil States*, 138 S. Ct. at 1378 n.5.

What Collabo claims here to be its “vested right,” is, in fact, not a right to a patent, *per se*, but a right to preserve the PTO’s *mistake* in granting a patent. This Court has long held that such an “asserted vested right, not being linked to any substantial equity,” will not prevent Congress “from curing the defect in administration simply because the effect may be to destroy causes of action which would otherwise exist.” *Graham*, 282 U.S. at 429. Collabo has no constitutional entitlement to shield the PTO’s mistake from correction. Neither the Due Process Clause nor the Takings Clause is implicated by

⁷ See Pub. L. 96-517, § 8(b), 94 Stat. 3027 (making *ex parte* reexamination applicable “to patents in force as of [July 1, 1981] or issued thereafter”); Pub. L. 98-622, § 106(a), 98 Stat. 3385 (adding “questions of patentability” to interferences and making this change applicable “to all United States patents granted before, on, or after the date of enactment”).

revisions to the procedures for PTO patentability review.

IV. Even If Applications Of *Inter Partes* Review Were Viewed As Retroactive, There Is No Fifth Amendment Violation.

Even if Collabo could demonstrate that it held a vested property right in the PTO procedures for reviewing the mistaken issuance of the '714 patent, Collabo has not established a Fifth Amendment violation under either the Takings or the Due Process Clause.

A. *Inter Partes* Review Is Not Materially Different From Other Post-Issuance Review Procedures.

Inter partes review serves the same basic purposes as *inter partes* reexamination and *ex parte* reexamination, and it resembles long-standing interference proceedings, which in turn resemble district court litigation. *Inter partes* review is merely a variation on a long-standing theme of Congress creating mechanisms for the PTO to revisit previously issued patents and re-determine whether their claims were originally patentable.

Substantively, *inter partes* review serves the same “basic purposes” as both *inter partes* and *ex parte* reexamination—“namely, to reexamine an earlier agency decision” granting a patent. *Cuozzo*, 136 S. Ct. at 2144; see H.R. Rep. No. 112-98, at 39-40 (2011) (describing *inter partes* review as a “system for challenging patents that should not have issued”); *Oil States*, 138 S. Ct. at 1370 (describing reexaminations

as “administrative processes that authorize the PTO to reconsider and cancel patent claims that were wrongly issued”). In an *inter partes* review, a petitioner is limited to grounds “under section 102 or 103,” which provide some of the original conditions of patentability, “and only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b); *see* 35 U.S.C. §§ 101-103. These are the same grounds and prior art that a requester can assert against a patent in an *ex parte* reexamination, *see id.* § 302, or as a defense in district court, *see id.* § 282(b)(2). Third parties can request the PTO to initiate or can themselves participate in (or both) *ex parte* reexamination, *inter partes* reexamination, or *inter partes* review.

Procedurally, *inter partes* reviews also resemble interferences—and both “resemble district court litigation.” *Cuozzo*, 136 S. Ct. at 2145 (citing Brief for Generic Pharmaceutical Association *et al.* as *Amici Curiae* 7-16 (describing “similarities between interference proceedings and adjudicatory aspects of *inter partes* review”)); *see Oil States*, 138 S. Ct. at 1378 n.5. Both *inter partes* review and interferences are adjudicated in a trial-like adversarial setting before a panel of administrative patent judges who are members of the PTO’s Patent Trial and Appeal Board. In both proceedings, the parties file motions and expert declarations, conduct discovery and cross-examination, receive an oral hearing before the Board, and the patent owner can seek to amend the patent with new claims by motion (not by right). *See* 35 U.S.C. § 316(a), (c); 77 Fed. Reg. 48756 (Aug. 14, 2012) (PTAB Trial Practice Guide); BPAI Standing Order (Mar. 8, 2011), *available at*

<https://www.uspto.gov/sites/default/files/ip/boards/bpai/interf/forms/standingordermar2011.pdf>.

Any differences that *inter partes* review presents when compared to pre-existing forms of post-issuance patent review are differences of degree, not kind, and do not materially alter the public right that any patent owner holds.

**B. Applying *Inter Partes* Review to the
'714 Patent Does Not Violate the
Takings Clause.**

To be clear, Collabo’s “takings” argument is *not* predicated on the PTO’s act of cancelling its patent claims *per se*—the same act the PTO was empowered to perform on the ’714 patent in an *ex parte* reexamination or interference. *Supra* 4-5. Rather, Collabo challenges new regulatory procedures through which the PTO can revisit its initial patentability decision under the same standards used to issue the patent originally. Yet, in Collabo’s underdeveloped “takings” argument below, Collabo never cited *Penn Central*, much less conducted any analysis of the sort this Court requires. Doing so for the first time now, Collabo badly misapplies the *Penn Central* factors. Pet.23-31.

“The first *Penn Central* factor,” according to Collabo, “looks to Collabo’s continued ability, after the government action, to earn a reasonable return on its investment.” Pet.23. Collabo analyzes this as one having lost the *inter partes* review, arguing that it “can no longer enforce the challenged claims against Sony and earn a return on its investment.” Pet.23-24.

Collabo ignores, however, that *inter partes* review can *strengthen* patents when a patent owner prevails in the review, as they often do. Patents upheld in *inter partes* review will receive a PTO-issued “certificate ... confirming any claim of the patent determined to be patentable,” 35 U.S.C. § 318(b), and an “estoppel” that attaches against the petitioner and related parties, precluding them from challenging the same claims in the future on “any ground that the petitioner raised or reasonably could have raised during that *inter partes* review,” *id.* § 315(e)(1),(2). See *Patlex*, 758 F.2d at 603 (weighing *Penn Central* factors and noting “the benefits that may accrue to Gould following successful reexamination of the patents”). Collabo’s poor return on its investment is not a consequence of the *inter partes* review process but rather of the inadequacy of the ’714 patent’s claims when set against the standards for patentability on the date the patent issued.

“The second *Penn Central* factor,” according to Collabo, “looks to the patent owner’s reasonable investment-backed expectations.” Pet.24. On this point, Collabo asserts: “Obviously, there was no expectation that Congress would unilaterally and impermissibly change the patent bargain after closing the deal by creating a patent ‘death squad’ like the Board.” Pet.30. But Collabo purchased the ’714 patent *two years after* the AIA created the “death squad” which Collabo now claims it could not have expected. That fact alone destroys Collabo’s arguments about its “investment-backed expectations” not foreseeing a procedure like *inter partes* review.

Equally hollow is Collabo’s suggestion that patent owners might have “forego[ne] patent protection altogether” if they had known about the AIA. Pet.34. Collabo itself obviously did not forego acquiring its AIA-encumbered patent in December 2013. Nor is there any evidence to suggest that the AIA has caused other patent owners to “forego patent protection altogether” in the United States. To the contrary, fiscal year 2019 saw an all-time record-high number of U.S. patents issued by the PTO (370,434) and an all-time record-high number of U.S. patent applications filed by applicants (665,231), both up significantly from the pre-AIA period in the late 2000s. *See* PTO Performance and Accountability Report FY2019, at 167, 169, *available at* <https://www.uspto.gov/sites/default/files/documents/USPTOFY19PAR.pdf>.

Even if Collabo had purchased its patent before Congress created *inter partes* review, Collabo’s investment-backed expectations argument would still be misplaced because Collabo again misunderstands the origin of its harm. The “patent bargain” it speaks of is premised on the “disclosure of *new*, useful, and *nonobvious* advances in technology and design in return for the exclusive right to practice the invention for a period of years.” *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 151 (1989) (emphases added). But the ’714 patent disclosed no “new” or “*nonobvious*” invention at the time it was filed. Nor would investors fail to expect that a mistake like the issuance of the ’714 patent could be corrected in the future; patent owners had already come to *expect* post-issuance revocation of patents lacking novelty and non-obviousness for the past forty years.

Pet.App.16a (“Like the patent at issue in *Celgene*, when the ’714 patent issued, patent owners already expected that their patents could be challenged in district court and “[f]or forty years” had expected that “the [Patent Office] could reconsider the validity of issued patents on particular grounds.”) (alterations in original).

“The third *Penn Central* factor,” according to Collabo, “examines the character of the government action.” Pet.30. In *Penn Central*, the Court divided “governmental action” into two categories: (1) “physical invasion by government,” and (2) “some public program adjusting the benefits and burdens of economic life to promote the common good.” 438 U.S. at 124. Collabo asserts that *inter partes* review is “more akin to a physical invasion of property,” Pet.31, but that farfetched claim does not withstand scrutiny. A patent does not entitle a patent owner to affirmatively do anything, much less to any physical thing: it is not a right to actually make or market the patented invention, for example, which may be illegal or layered with regulatory restrictions. Rather, a patent is a public franchise that only gives its owner “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.” *Oil States*, 138 S. Ct. at 1374 (quoting 35 U.S.C. § 154(a)(1)). When Congress authorizes post-issuance review procedures like *inter partes* review, it does not interfere with a physical property right of a patent owner but merely “adjust[s] the benefits and burdens of economic life to promote the common good” by determining whether and when a patent owner is entitled to exclude others from making, using, and selling its claimed invention.

Such an act does not violate *Penn Central's* takings factors.

C. Applying *Inter Partes* Review to the '714 Patent Does Not Violate the Due Process Clause.

Collabo concedes (correctly) that it bears the burden, as the party complaining of a due process violation, to establish that the legislature acted in an “arbitrary and irrational way.” Pet.32. But Collabo is wrong that “Congress’ decision to make *inter partes* review apply retroactively to all patents is both arbitrary and irrational.” *Id.*

Rather, Congress advanced logical and legitimate goals in creating *inter partes* review, as the legislative history attests. Congress viewed the limited application of *inter partes* reexamination to post-1999 patents as a demerit, and thus “**Repeal of the 1999 limit**” was one of the “improvements” that the Committee Report on the bill that eventually became the AIA touted over *inter partes* reexamination. H.R. Rep. No. 112-98, at 47. During Senate floor debates, Senator Jon Kyl also discussed the purpose of repealing the 1999 limit as benefitting accused infringers:

Accused infringers, however, also will benefit from some of the changes made by the present bill. The bill ... removes the bar on challenging pre-1999 patents in *inter partes* proceedings. All patents can now be challenged in *inter partes* review.

157 Cong. Rec. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

Congress also received the PTO’s Report to Congress on Inter Partes Reexamination, as mandated by Pub. L. 106-113, § 4606, 113 Stat. 1501A-571. It noted that “only 53 *inter partes* reexamination requests were filed” during the “nearly five years that the procedure has been available,” and explained that “[m]aking all enforceable patents eligible for inter partes reexamination would greatly increase the patent pool from which to generate *inter partes* reexamination requests.” PTO Report, at 5, 7-8.

Congress’s decision to open all existing patents to *inter partes* review—patents already subject to *ex parte* reexamination—was not arbitrary and irrational. There is nothing arbitrary or irrational about Congress improving administrative procedures, particularly when it comes to correcting agency mistakes. Congress’s chosen approach (1) is grounded in having scientifically-trained individuals review the PTO’s own work to correct the agency’s existing mistakes; (2) allows the PTO to leverage the efforts of private parties in reviewing the PTO’s mistakes, rather than laboring in isolation; and (3) is simpler for the PTO to administer without the 1999 limit because it obviates the need to check the filing date or issue date of the challenged patent. These logical purposes are consistent with the “basic purposes” motivating *inter partes* review that this Court has already recognized, *Cuozzo*, 136 S. Ct. at 2144, as well as the administrative procedures that were applicable to the ’714 patent even before Congress adopted the AIA. This Court has said that *inter partes* review ‘helps protect the public’s paramount interest in seeing that patent monopolies ... are kept within their legitimate

scope” by establishing “an efficient system for challenging patents that should not have issued.” *Id.* (internal citations omitted). The “determination to grant a patent is,” after all, “a ‘matte[r] involving public rights.’” *Oil States*, 138 S. Ct. at 1373-74.

The same purpose of improving the patent system motivated Congress to create *ex parte* reexamination, which Collabo admits Congress “arguably had a rational basis for retroactively applying” to previously issued patents. Pet.6. That purpose is imminently reasonable and far from being irrational or arbitrary. *Inter partes* review raises no legitimate Due Process Clause concerns.

CONCLUSION

For the foregoing reasons, Collabo’s petition should be denied.

February 7, 2020

Respectfully submitted,

JOHN C. O’QUINN
MEGAN M. WOLD
KIRKLAND & ELLIS LLP
655 Fifteenth Street, NW
Washington, DC 20005

ANDREW S. BALUCH
Counsel of Record
SMITH BALUCH LLP
700 Pennsylvania Avenue, SE
Suite 2060
Washington, DC 20003

MATTHEW A. SMITH
ELIZABETH A. LAUGHTON
SMITH BALUCH LLP
1100 Alma Street
Suite 109
Menlo Park, CA 94025

Counsel for Respondent